GIORDANO HOLDINGS LIMITED

annual report 1994

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Financial and Operation Highlights

Financial Highlights (Amounts expressed in HK$'000)	Consolidated			Proforma Combined Results	
	1994	1993	1992	1991	1990
Turnover	**2,863,726**	2,334,135	1,661,364	1,169,622	892,337
Turnover increase (%)	**22.7**	40.5	42.0	31.1	25.4
Profit after tax and minority interests	**195,347**	137,632	115,091	85,130	45,501
Profit after tax and minority interests increase (%)	**41.9**	19.6	35.2	87.1	58.4
Shareholders' funds	**544,521**	454,697	361,677	283,239	58,630
Working capital	**361,952**	297,379	238,905	219,262	9,467
Total debt to equity ratio	**0.9**	0.8	1.1	0.6	4.6
Bank borrowings to equity ratio	**0.1**	0.1	0	0	0
Current ratio	**1.8**	1.8	1.6	2.2	1.0
Inventory turnover on sales *(days)*	**53**	59	86	76	71
Return on total assets (%)	**18.8**	16.7	15.4	18.3	13.8
Return on average equity (%)	**39.1**	33.7	35.7	49.8	97.3
Return on sales (%)	**6.8**	5.9	6.9	7.3	5.1
Earnings per share *(cents)*	**30.9**	22.0	19.0	15.8	10.1
Cash dividend per share *(cents)*	**11.0**	9.0	7.5	5.0	$2.5 million on 2 shares in issue

Financial and Operation Highlights

Operation Highlights

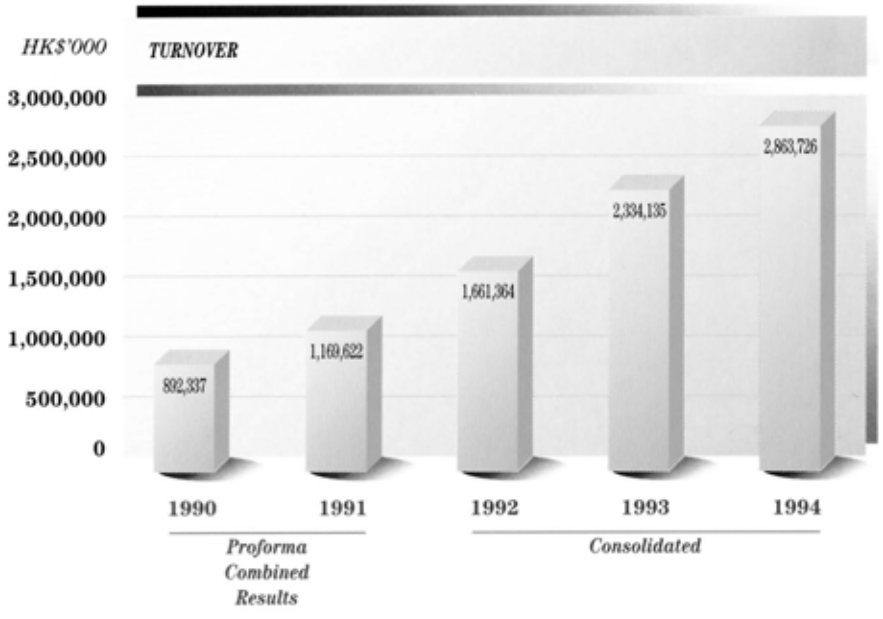
(Figures as at year end unless specified)	**1994**	1993	1992	1991	1990
No. of retail outlets directly managed by the Group	**283**	257	191	160	143
Total no. of retail outlets	**910**	738	614	236	148
Retail floor area directly managed by the Group *(sq. ft.)*	**282,700**	209,500	139,500	99,800	90,400
Sales per square foot *(HK$) (note 1)*	**10,600**	12,600	12,200	10,900	10,000
No. of employees	**6,863**	2,330	2,104	1,477	1,437
Comparable store sales (decrease)/ increase (%) *(note 2)*	**(9)**	15	25	25	22
No. of sales associates	**1,928**	1,502	1,207	794	700

Notes:–

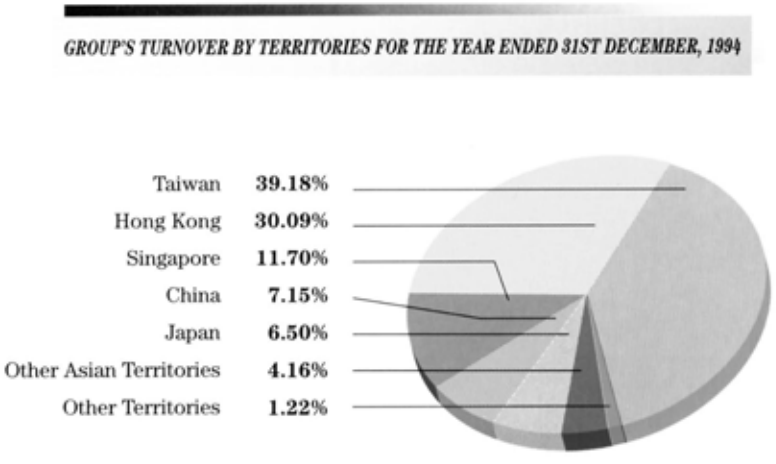
1. *On weighted average basis.*
2. *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison.*

Financial and Operation Highlights

TURNOVER

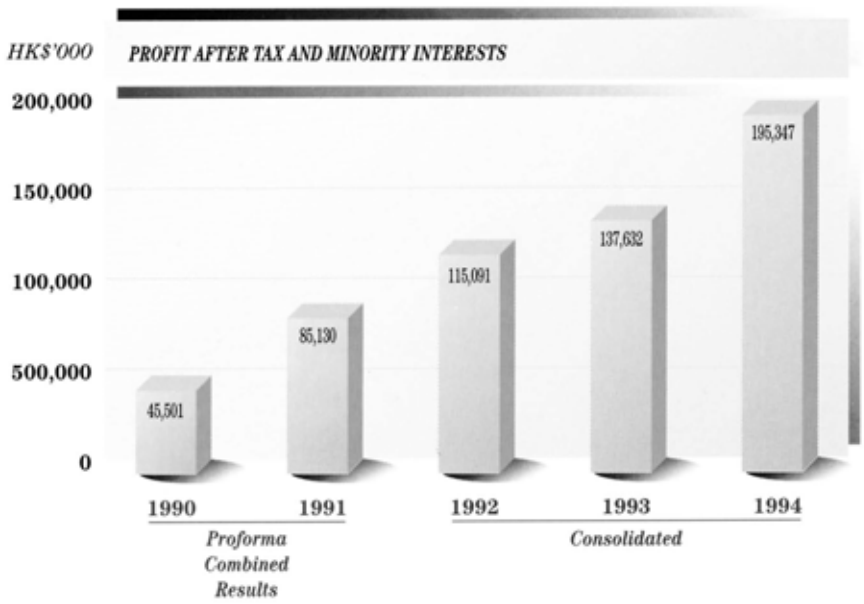


GROUP'S TURNOVER BY TERRITORIES FOR THE YEAR ENDED 31ST DECEMBER, 1994

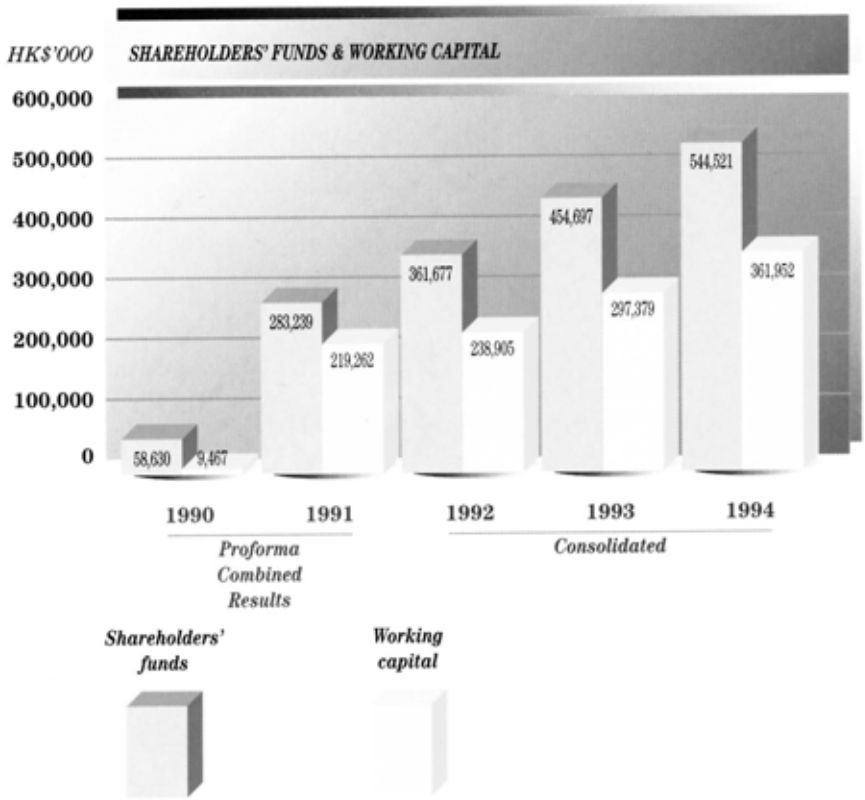


Financial and Operation Highlights

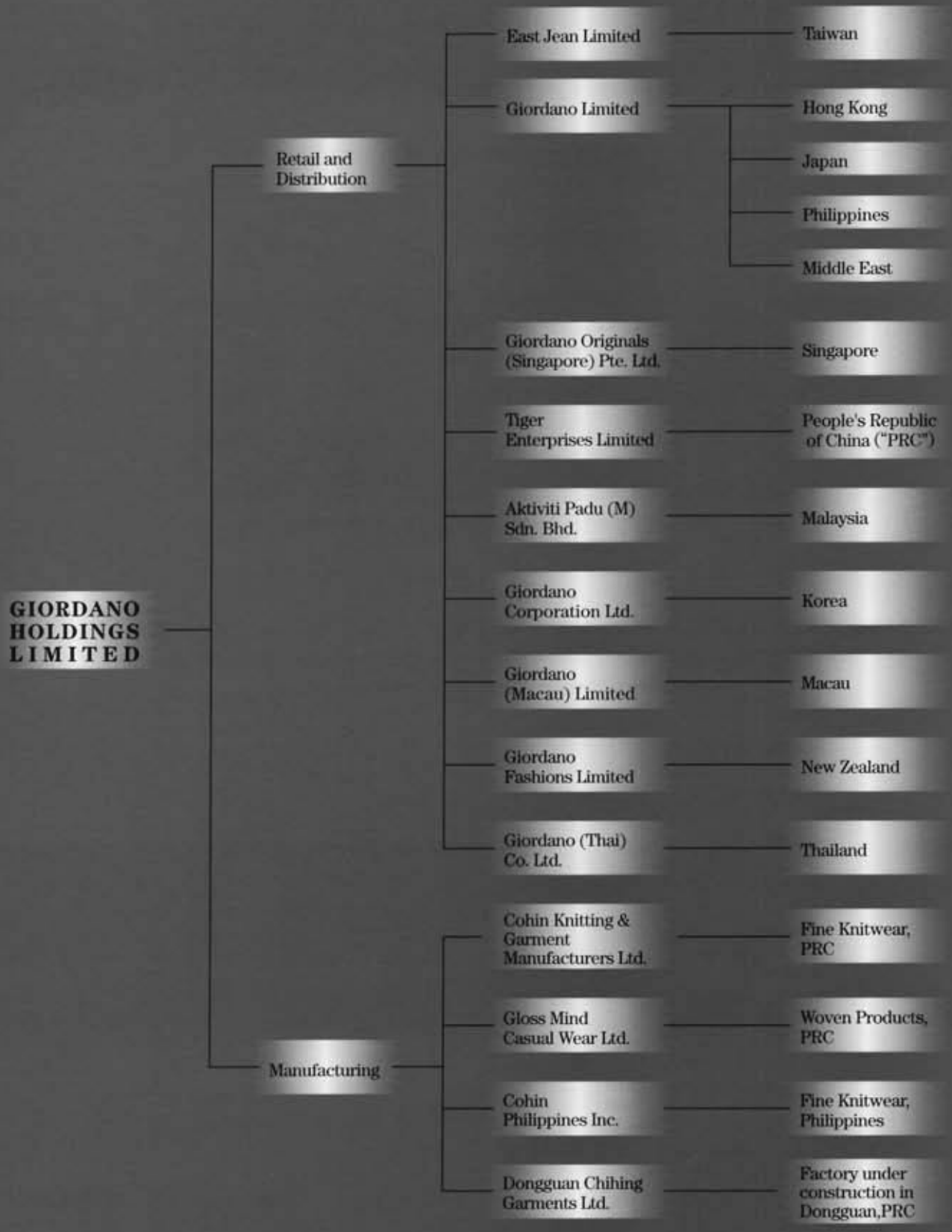
PROFIT AFTER TAX AND MINORITY INTERESTS



SHAREHOLDERS' FUNDS & WORKING CAPITAL



GROUP OPERATIONAL *structure*



Corporate Information

DIRECTORS
Executive
Mr. Lau Kwok Kuen, Peter
(Chairman and Chief Executive)
Mr. Chan Kui Tim, Jimmy
Mr. Cheung Kam Man, Raymond
Mr. Chu Bun, Wilson
Mr. Lam Chuen Chi, Leo

Non-executive
Mr. Barry John Buttifant
Mr. Lam Chun Keung, Richard
Mr. Edward James Wu

COMPANY SECRETARY
Mr. Chan Kui Tim, Jimmy

REGISTERED OFFICE
5th Floor, Tin On Industrial Building
777-779 Cheung Sha Wan Road
Kowloon, Hong Kong

AUTHORIZED REPRESENTATIVES
Mr. Lau Kwok Kuen, Peter
Mr. Chan Kui Tim, Jimmy

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Citibank N. A.
Citibank Tower
47th Floor, Citibank Plaza
3 Garden Road, Central
Hong Kong

SOLICITORS TO THE COMPANY
Robin Bridge & John Liu
22nd Floor
Lane Crawford House
70 Queen's Road Central
Hong Kong

Chao and Chung
601 Asia Pacific Finance Tower
Citibank Plaza
3 Garden Road, Central
Hong Kong

AUDITORS
Coopers & Lybrand
Certified Public Accountants
23rd Floor, Sunning Plaza
10 Hysan Avenue
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE
Abacus Share Registrars Limited
10th Floor, Caroline Centre
28 Yun Ping Road
Causeway Bay
Hong Kong

Chairman's Statement

The Group achieved a healthy turnover increase of 22.7% to HK$2,863.7 million in the financial year ended 31st December, 1994 (1993 : HK$2,334.1 million). Substantial growth was registered in new markets where the Group had begun its intensive regionalization programs as outlined in previous annual reports. We believe that our market shares will rapidly grow as we continue to adjust to local customer preferences.

Profit attributable to shareholders amounted to HK$195.3 million, a 41.9% increase from HK$137.6 million reported last year. The Group aims to maintain a steady profit growth by further development of new markets and continued efficiency improvements in its more mature markets.

The Board has recommended a final dividend of 7.5 cents per share (1993 : 6.5 cents), making a total dividend of 11.0 cents per share (1993 : 9.0 cents) for 1994. Total dividend per share increased by 22.2% when compared with 1993. Sufficient funds have been retained out of its 1994 profit to allow the Group to exploit new investment opportunities.

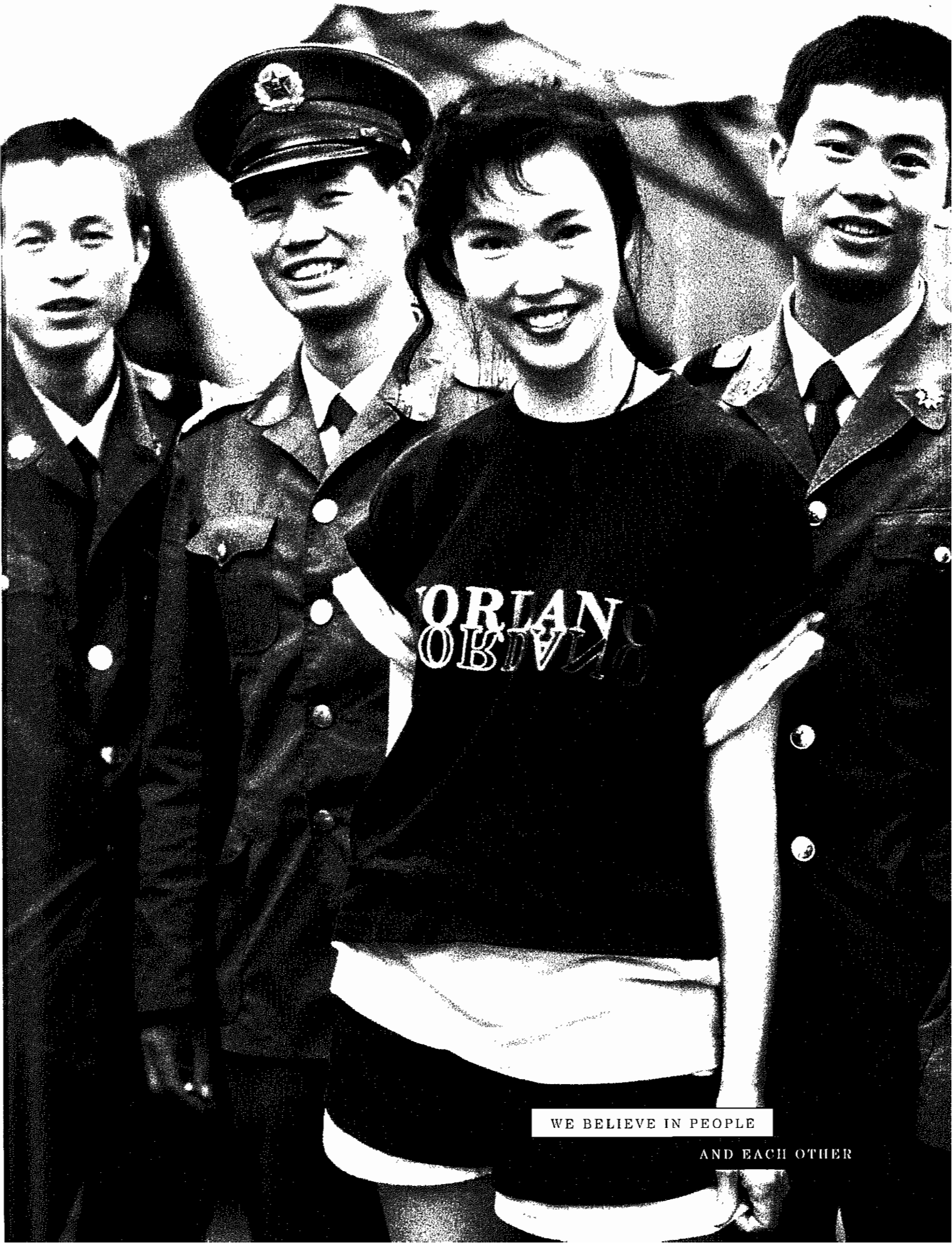
On 1st August, 1994, the Group exercised its option to acquire an additional 31% interest in Tiger Enterprises Limited, a joint venture formed in 1992 for the purpose of marketing the Giordano brand in China. The acquisition has increased the Group's interest in Tiger Enterprises Limited to 51%. Tiger Enterprises Limited reported a profit of HK$22 million in 1994 against a loss of HK$69 million in 1993. Total outlets operating in this market as at 31st December of 1994 and 1993 were 40 and 21 respectively. We remain confident in the long term prospects of China's consumer market brought about by its Government's responsible economic reform program. Giordano is determined to be a significant player in this exciting economy.

The market place is dynamic and can never be predicted with certainty. The Group's management and staff firmly believe that only a robust and resilient company can promptly react to the everchanging environment. The Group will continuously adapt itself to satisfy its markets' specific needs in the Asia-Pacific region.

We are also convinced that only a company with a simple organizational structure, in which all members are motivated to deliver to their customers quality products in the most efficient way and in a friendly manner, can effectively compete in the market place. Giordano is committed to becoming such a company. The Directors and I give the Group's staff full credit for working so hard towards achieving this goal.

Let us not forget our suppliers who are also our strategic alliance partners. The Group is thankful to all of them who have continued to support us in providing value-for-money products to the markets. The Group will further strengthen this special relationship with these invaluable partners in the coming years.

LAU KWOK KUEN, PETER
Chairman
15th February, 1995



WE BELIEVE IN PEOPLE

AND EACH OTHER

Management's Discussion and Analysis

OVERVIEW

For the year ended 31st December 1994, the Group succeeded in consolidating its position as a leading retailer and distributor of "value for money" casual wear in the Asia-Pacific region. Two new markets have been added during the year to the Group's regional retail and distribution network. In China, the Group's operations began to generate profit for the first time.

The Group continued to enjoy satisfactory growth in turnover and profit for 1994, with significant improvement in profit margins. Turnover for the year amounted to HK$2,863.7 million, representing a 22.7% increase over 1993. Profit after taxation and minority interests rose 41.9% to HK$195.3 million. Earnings per share surged from 22.0 cents in 1993 to 30.9 cents.

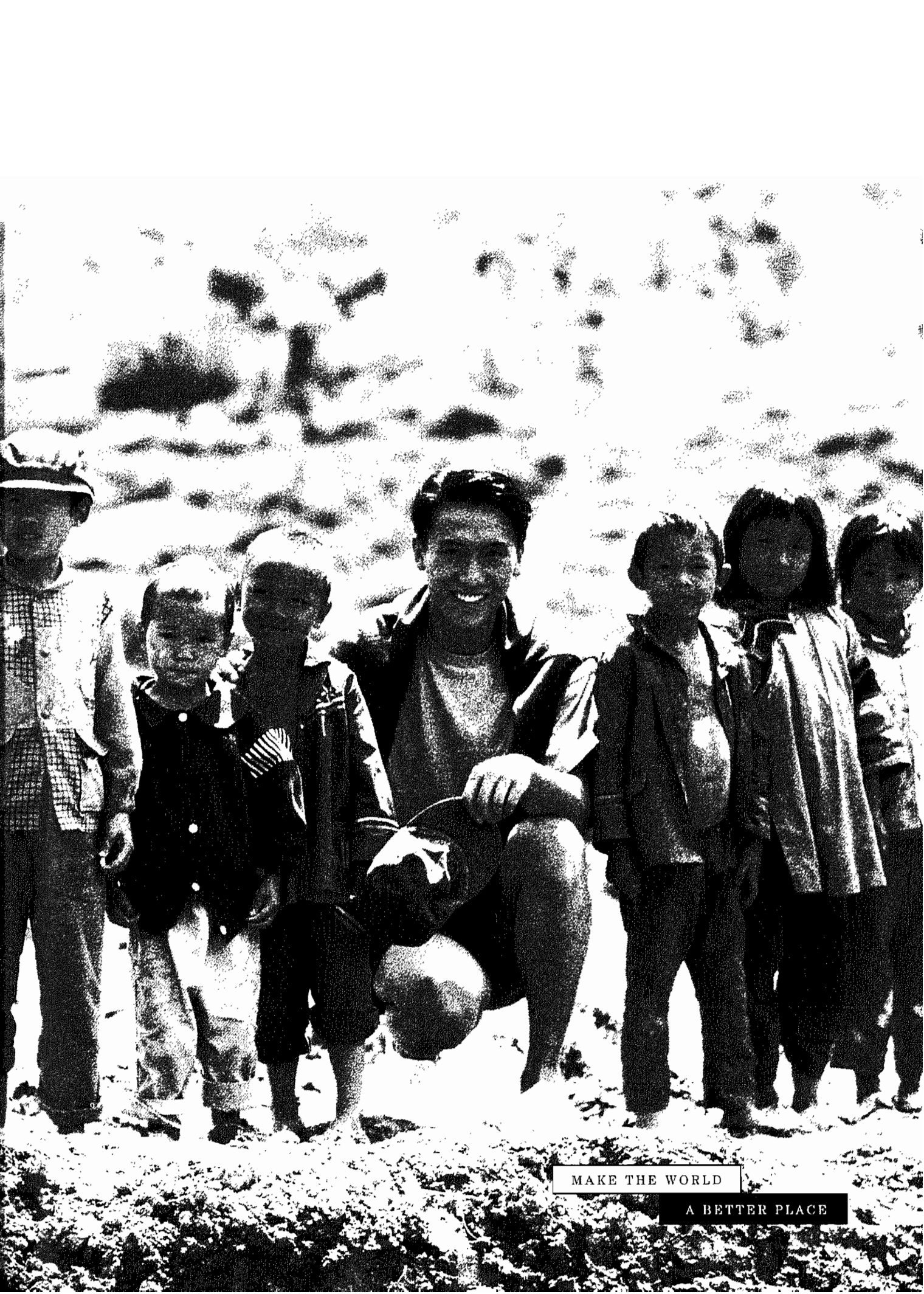
During the year under review, the Group's performance continued to benefit from its streamlining of operations. In addition, the turnaround of the Group's China operations also contributed to the enhanced profit. The higher rate of profit growth was mainly due to the improvement of operation efficiency.

RETAIL AND DISTRIBUTION

Sales turnover from the Retail and Distribution Division increased to HK$2,616.1 million, up 22% from 1993. Profit contribution to the Group amounted to HK$199.9 million, an increase of 33%.

Approximately 33% of the merchandise sold by the Retail and Distribution Division was supplied by the Company's Manufacturing Division in 1994.

Giordano's retail and distribution operations now span twelve territories including, Hong Kong, Taiwan, Singapore, China, Malaysia, Japan, the Philippines, New Zealand, Australia, with two additions in 1994, Korea and Thailand, and recently extending to Dubai in the Middle East. 283 outlets are now directly managed by the Group, occupying an aggregate saleable floor area of 282,700 sq. ft., an increase of 10% and 35% respectively over 1993.


MAKE THE WORLD
A BETTER PLACE

Management's Discussion and Analysis

HONG KONG

	1994	1993	1992	1991	1990
Net sales *(HK$m)*	**845.4**	777.7	652.8	544.7	407.8
Sales per sq. ft. *(HK$)**	**21,100**	21,200	21,100	18,400	15,700
Comparable store sales increase (%)**	**1**	6	16	34	24
Retail floor area *(sq. ft.)****	**40,800**	41,900	33,100	30,600	28,700
Number of sales associates****	**461**	479	497	402	393
Number of outlets****	**45** (42 shops 3 counters)	46 (42 shops 4 counters)	37 (33 shops 4 counters)	36 (32 shops 4 counters)	35 (31 shops 4 counters)

* *On weighted average basis*
** *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison*
*** *As at 31st December*

The Group's Hong Kong operations enjoyed the highest profit growth in 1994, making the operations the largest profit contributor to the Group in 1994. The significant improvement in profit contribution from the Hong Kong operations was attributable to effective cost control and enhancement of profit margins.

There were 45 retail outlets in Hong Kong as at 31st December, 1994. The number of outlets in the territory remained stable after a significant expansion in 1993. The total saleable floor area they occupied amounted to 40,800 sq. ft. as at the end of 1994. The focus of the Hong Kong operations in 1994 was to consolidate its expanded retail network and re-engineer its operating procedures.

WORLD WITHOUT
STRANGERS

TAIWAN

	1994	1993	1992	1991	1990
Net sales *(HK$m)*	**1,120.2**	1,003.3	615.1	353.3	221.9
Sales per sq. ft. *(HK$)**	**7,700**	9,900	8,800	6,800	6,500
Comparable store sales (decrease)/ increase (%)**	**(17)**	28	37	10	21
Retail floor area *(sq. ft.)****	**161,300**	134,900	81,800	58,400	43,000
Number of sales associates ***	**801**	780	484	288	220
Number of outlets ***	**182** (109 shops 73 counters)	174 (89 shops 85 counters)	129 (58 shops 71 counters)	114 (45 shops 69 counters)	95 (35 shops 60 counters)

* *On weighted average basis*

** *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison*

*** *As at 31st December*

While sales turnover grew modestly in Taiwan during 1994, there was no improvement in profit contribution to the Group due to escalating operating expenses. As a result of the relocation of retail shops to city outskirts where the shops are generally larger, sales per sq. ft. dropped 22% in comparison with the 1993 figure. Comparable store sales also dropped by 17%, as the Group discontinued its price reduction practice to improve gross margins. The situation is expected to improve upon the successful completion of the relocation program and due to enhanced profit margins.

SINGAPORE

	1994	1993	1992	1991	1990
Net sales *(HK$m)*	**335.1**	277.5	168.9	123.8	91.8
Sales per sq. ft. *(HK$)**	**14,800**	15,100	13,200	10,700	8,100
Comparable store sales (decrease)/ increase (%)**	**(14)**	11	27	27	14
Retail floor area *(sq. ft.)****	**23,200**	23,600	16,900	10,800	13,100
Number of sales associates ***	**208**	206	186	104	87
Number of outlets ***	**29** (22 shops 7 counters)	29 (21 shops 8 counters)	16 (13 shops 3 counters)	10 (8 shops 2 counters)	13 (10 shops 3 counters)

* *On weighted average basis*

** *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison*

*** *As at 31st December*

In Singapore, 1994 was the first full year following completion of the Group's relocation of its outlets to residential areas. Sales and profits of the Singapore operations have shown significant improvement as a result of the relocation.

Despite overall improvement in the Singapore operations, sales per sq. ft. decreased to HK$14,800 per sq. ft. from HK$15,100 as a result of our campaign to improve margins which had a dampening affect on sales. Comparable store sales also dropped by 14% in 1994; this was attributed to the shortening of shopping hours in the Orchard Road area due to traffic restrictions. In addition, the massive increase of shopping area led to dilution of shopping traffic and thus affected comparable store sales. However, with the stabilisation of profit margins and continued opening of new shops in residential areas, the directors expect that the net profit and sales turnover will continue to strengthen in 1995.

CHINA

	1994	1993	1992
Net sales *(HK$m)*	**338.5**	338.1	102.3
Sales per sq. ft. *(HK$)**	**10,200**	11,200	3,800
Comparable store sales decrease (%)**	**(9)**	–	–
Retail floor area *(sq. ft.)****	**33,000**	33,800	26,500
Number of sales associates ***	**338**	499	600
Number of outlets ***	**40** (6 shops, 34 franchisees)	21 (6 shops, 15 franchisees)	3 (3 shops)

* *On weighted average basis*
** *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison*
*** *As at 31st December*

The Group's operations in China, its most important emerging market, began to turn around in 1994. Tiger Enterprises Limited ("Tiger"), the Group's China arm, generated a net profit of HK$22 million for the whole year, compared to a loss of HK$69 million in 1993.

In view of the improved performance of Tiger in the first half of 1994, the directors believed it to be in the best interest of the shareholders to increase the Company's equity interest in that company. In August 1994, the Company exercised its option to increase its shareholding in Tiger to 51%.

Since the increase in shareholding, the Company has been actively involved in further strengthening the financial position of Tiger. Tiger has also adopted the strategy of penetrating the vast China market through franchise agreements. The increased number of franchisees enabled Tiger to enhance the visibility and coverage of Giordano with minimum operating costs.

The new strategy has led to a surge in sales and increased orders for our manufacturing operations. Since the Company secured its 51% interest in Tiger in August 1994, a further 15 franchised outlets have been added, raising the current total number of outlets in China to 44. Sales to franchisees and distributors in China increased by 59% over 1993.

As a further step to strengthen Giordano's position in China, the Group acquired the premises occupied by its Shenzhen retail store in December 1994 for RMB77.5 million. The purchase is of strategic importance to the Group's business development in China. The Shenzhen retail store, which is situated in a prime location in the fast growing special economic zone, was the first outlet established by Tiger in China. The directors believe it is more cost-effective in the long run to acquire the premises considering the movement of property rentals and prices in Shenzhen.

OTHER MARKETS

In Japan, the Group entered into a distribution agreement with Senshukai, a leading mail order distributor. Under the agreement, Senshukai will distribute Giordano products in Japan through its extensive catalogue sales network. The directors believe that this additional distribution arrangement with Senshukai can help to rapidly enhance the profile of Giordano products among Japanese consumers.

The Group's distribution arrangement with Aoyama Trading Company entered its fourth year in 1994. Sales of Giordano products to Aoyama continued to increase in the year under review as a result of gradual expansion of Aoyama causal wear outlets in Japan.

Considering the significant trade barriers and complex retail system in Japan, the directors believe that entering into distribution agreements with established retailers and distributors in Japan is the most cost-effective way to penetrate Japan's consumer market.

During the year under review, the Group succeeded in broadening its geographical reach through the establishment of joint-ventures in Thailand and South Korea. In Thailand, the Group entered into a joint-venture with Pichayakorn Holdings Company Limited to set up the first Giordano outlet in Bangkok in November 1994. Currently, the joint-venture had opened a total of five outlets in the Thai capital and is planning to further expand its network in the coming year.

The Company currently owns a 49% interest, which is the maximum shareholding allowed for foreign investors, in the Thailand joint-venture. However, the Company maintains majority control of the board. The joint-venture combines Giordano's experience in retail and distribution and the Thai partner's local knowledge and connections in the development of this emerging market.

In Korea, the Group entered into a 30% owned joint-venture with Ilshin Investment Company Limited in May 1994, with an option to increase its shareholding to 50%. The joint-venture has, so far, set up 20 outlets in Seoul, including 13 directly managed outlets and 7 franchised shops.

MANUFACTURING

The Manufacturing Division's turnover and profit contribution generated from sales to outside purchasers rose to HK$247.6 million and HK$35.4 million respectively, representing respective increases of 34% and 16% over 1993. The Division's sales to outside purchasers accounted for 38% of its total output in 1994.

The Manufacturing Division experienced significant increases in both sales and profit in 1994 while output prices remained stable. The enhanced margins were a result of economies of scale in production and the streamlining of operations.

On the other hand, the effective implementation of the Group's "Just-In-Time" stock replenishment scheme, particularly in the PRC, enabled the Group to increase inventory turnover and to reduce costs, which in turn contributed to higher profit margins.

As the Group's PRC manufacturing plants operated at full capacity throughout the year under review, the Group plans to beef up its manufacturing operation and to extend its present capacity to meet the growing demand of the retailing operation. The expansion plan for the Dongguan plant is part of the Manufacturing Division's continuing program to cope with the Group's future growth.

In 1994, approximately one third of the products sold through Giordano's retail and distribution network was supplied by the Manufacturing Division. To meet growing demand from its Retail and Distribution Division, the Group had to increase its sourcing of merchandise from outside suppliers. This gives the Group greater flexibility in the operation of its Manufacturing Division in response to changing market demands.

To cope with the expansion in the Retailing and Distribution Division, a new knitwear factory was set up in the Philippines in late 1994. The new plant has a floor area of 50,000 sq. ft. with space for expansion to 200,000 sq. ft. This is part of the Group's expansion programme on decentralisation of manufacturing bases. To complement the rapid expansion of the Group's retail network, it will consider to have additional production bases established in the proximity to the local markets in order to ensure speedy replenishment and to reduce logistics costs.

KNITWEAR DIVISION

	1994	1993	1992	1991	1990
Sales *(HK$m)*	**406.7**	349.3	347.5	325.6	254.7
Monthly capacity at year end *(000' dozen)*	**70**	68	62	51	45
Workers	**2,198**	2,591	2,696	2,342	2,021
Percentage of sales to:					
Giordano*	**57**	57	64	66	54
Japan	**23**	19	14	19	16
Tiger*	**3**	–	–	–	–
China	**7**	15	12	–	–
USA	**1**	–	1	5	23
Korea	**–**	–	1	2	1
Taiwan	**–**	1	3	6	1
Others	**9**	8	5	2	5

* *as fellow subsidiaries*

WOVEN DIVISION

	1994	1993	1992	1991	1990
Sales *(HK$m)*	**246.2**	144.4	101.9	48.8	87.1
Monthly capacity at year end *(000' pieces)*	**300**	200	130	47	60
Workers	**1,310**	758	692	198	559
Percentage of sales to:					
Giordano*	**62**	77	56	82	52
Japan	**26**	8	11	4	5
Tiger*	**4**	–	–	–	–
China	**2**	12	24	–	–
USA	**–**	–	–	1	1
Korea	**4**	–	1	3	7
Taiwan	**–**	–	3	–	–
Others	**2**	3	5	10	35

* *as fellow subsidiaries*

LIQUIDITY AND CAPITAL RESOURCES

The Group's major source of funds comes from the revenue generated from its operations and is supplemented by banking facilities. The total net cash generated from operations in 1994 amounted to HK$297.4 million.

The Group had a total of HK$416.5 million in revolving banking loan facilities, of which approximately HK$354.8 million was available and unused as at 31st December, 1994.

The Company has also secured trade finance facilities from 11 major banks totalling HK$340 million. As at 31st December, 1994, such facilities utilized and included in the accounts amounted to HK$13 million.

Total indebtedness of the Group amounted to HK$494 million as at 31st December, 1994. Total interest payment by the Group amounted to HK$8.2 million in 1994 at an average interest rate of approximately 6.5%. As at 31st December, 1994, the Group's total equity and total assets amounted to HK$544.5 million and HK$1,040.9 million respectively. The debt to equity ratio was 0.9. Based on the Group's results for the year ended 31st December, 1994, its return on total assets and return on average equity were respectively 18.8% and 39.1%.

PROSPECTS

It is the Group's ongoing strategy to strengthen its position as a "value for money" retailer and distributor in the Asian Pacific Region, which will continue to be the focus of the Group's development in the next few years. The Group is actively planning for entry into other markets in this region.

In Korea, the Group plans to further extend its retail network in 1995. In Thailand, we envisage that there is potential for a more aggressive outlet expansion.

To maintain a geographically diversified income base, the Group is also reaching out to other regions. It has recently entered into a 20% owned joint-venture in Dubai with one of its franchisees in the Middle East. The Dubai joint-venture will be a foothold for the Group's penetration of the Middle East markets. The joint-venture covers the major developing markets in the region.

In Southeast Asia, many emerging markets are going through a period of political stabilization and experiencing significant economic changes. We anticipate that these economies, with their enormous populations and improving living standards, will become potential markets for Giordano's "value for money" causal wear.

A Regional Product Development Department has recently been established to develop new products or designs in response to changing customer needs and fashion trends. The department monitors the stock and sales of various product lines on a regional level to assess market reception of these products. Based on their findings, popular product lines will be extended to meet market needs.

It is expected that the formation of this department will enable the Group to keep abreast of latest fashion trends and customer preferences. The close monitoring of market demands also allows the Group to reduce the production of slow-moving lines and thus further tighten its inventory control.

In 1994, the Group successfully enhanced its profitability under a challenging market environment. Despite escalated competition and a weakened consumer market, the Group managed to increase its profit margins in Hong Kong without any price adjustment. In China, the Group's new strategy began to pay off and helped to strengthen its position in the enormous market.

In the coming year, the Group is expected to continue to benefit from a strengthened financial position and streamlined operations. New markets developed in 1994 will become additional income sources to support the Group's further penetration into these markets and expansion into others.

The successful implementation of the concept of decentralising the Group's manufacturing bases from Hong Kong and China to other Asian countries where it has an established retail network will allow the Group to realize its "Just-In-Time" stock replenishment scheme on a regional basis. This decentralisation measure will help the Group to overcome the hurdles presented by the logistics of supplying Giordano products across the region and by trade barriers between territories in the Asian Pacific Region.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Giordano Holdings Limited (佐丹奴企業有限公司) will be held at the East and West Room, 23rd Floor, Mandarin Oriental Hotel, Central, Hong Kong on Monday, 15th May, 1995 at 10:30 a.m. for the following purposes:–

1. To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31st December, 1994.

2. To declare a final dividend.

3. To elect directors.

4. To appoint auditors and authorize the directors to fix their remuneration.

5. To consider and, if thought fit, pass with or without amendments, the following resolutions, as Ordinary Resolutions:–

ORDINARY RESOLUTIONS

(1) "THAT

(a) a general mandate be and is hereby unconditionally given to the directors of the Company during the Relevant Period to issue, allot or otherwise deal with additional shares in the capital of the Company pursuant to Section 57B of the Companies Ordinance and to make or grant offers, agreements and options which might require the exercise of such power subject to the following conditions:–

(i) such mandate shall not extend beyond the Relevant Period save that the directors of the Company may during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers at any time during or after the end of the Relevant Period; and

(ii) the aggregate nominal amount of shares in the capital of the Company which may be allotted, issued or otherwise dealt with by the directors of the Company pursuant to such mandate, otherwise than pursuant to (aa) a Rights Issue; (bb) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company carrying a right to subscribe for or purchase shares of the Company; or (cc) the exercise of any option under any share option scheme of the Company adopted by its shareholders for the grant or issue to employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire shares of the Company, or (dd) any scrip dividend or other similar scheme implemented in accordance with the Articles of Association of the Company, shall not exceed 20 percent of the total aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution; and

(b) for the purpose of this Resolution:–

(i) "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and

(3) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

(ii) "Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on its register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or stock exchange in any territory outside Hong Kong)."

(2) "THAT

(a) a general mandate be and is hereby unconditionally given to the directors of the Company during the Relevant Period to exercise all powers of the Company to purchase shares in the capital of the Company subject to the following conditions:–

(i) the exercise of all powers pursuant to such mandate shall be subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other applicable stock exchange; and

(ii) the aggregate nominal amount of shares in the share capital of the Company to be purchased by the Company pursuant to such mandate shall not exceed 10 percent of the aggregate nominal amount of share capital of the Company in issue at the date of this Resolution; and

(b) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(3) **"THAT** the extension of the general mandate to be granted to the directors of the Company pursuant to Resolution (1) to issue, allot or otherwise deal with additional shares of the Company during the Relevant Period (as defined in that Resolution) by the addition to the aggregate nominal amount of shares in the capital of the Company which may be issued, allotted or otherwise dealt with pursuant to such general mandate of an amount representing the aggregate nominal amount of shares in the capital of the Company purchased by the directors pursuant to their exercise of the powers of the Company to purchase such shares be and is hereby approved, provided that such amount shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution."

(4) **"THAT** the sourcing of raw materials and the processing of garments and other accessories during the period between the date of the passing of this Resolution up to the date of the next following annual general meeting of the Company (both dates inclusive) (the "Relevant Period") by Cohin Knitting & Garment Manufacturers Limited ("Cohin") and Gloss Mind Casual Wear Limited ("Gloss Mind") for a joint venture formed by the Company with Mr. Jimmy Lai Chee Ying on 20th July, 1992 (the "Joint Venture Operation") pursuant to the terms and conditions of certain garment processing agreements (the "Garment Processing Agreements") entered into between the Joint Venture Operation and each of Cohin and Gloss Mind respectively on 20th July, 1992 be is hereby approved subject always that each transaction effected pursuant to the Garment Processing Agreements shall require the approval or ratification by a committee of the board of directors of the Company comprising at least two non-executive directors of the Company having no interest (whether directly or indirectly) in such transaction, such committee having satisfied itself that the relevant transaction is being or has been made on normal commercial terms and in the ordinary and usual course of business of Cohin or Gloss Mind (as the case may be)."

By Order of the Board
Chan Kui Tim, Jimmy
Director and Secretary

Hong Kong, 13th April, 1995

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's share registrars, Abacus Share Registrars Limited, 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.

(3) The register of members of the Company will be closed from 9th May, 1995 to 15th May, 1995, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend (which will be payable on or about 16th May, 1995) to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Abacus Share Registrars Limited, 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong not later than 5:00 p.m. on 8th May, 1995.

(4) An explanatory statement containing the information regarding the Ordinary Resolutions set out in the above notice will be sent to shareholders with the Company's 1994 Annual Report.

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December, 1994.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal business of the Group is the retailing and distribution of "value for money" casual apparel and accessories under the GIORDANO brand. The Group also carries on apparel manufacturing operations which support the Group's retailing business and supply products to third parties.

An analysis of the Group's turnover and contributions to operating profit by activities is as follows:–

	1994		1993	
	Turnover	**Contributions**	Turnover	Contributions
	HK$'000	**HK$'000**	HK$'000	HK$'000
Retail and distribution	**2,616,124**	**199,860**	2,149,995	149,994
Manufacturing	**247,602**	**35,391**	184,140	30,487
	2,863,726	**235,251**	2,334,135	180,481

The geographical analysis of the Group's turnover is as follows:–

	1994	1993
	HK$'000	HK$'000
Taiwan	**1,122,082**	1,006,014
Hong Kong	**861,747**	791,504
Singapore	**335,128**	277,527
China	**204,629**	71,306
Japan	**186,097**	111,639
The Philippines	**50,020**	32,120
Malaysia	**27,550**	15,197
Korea	**21,049**	2,319
Macau	**20,497**	10,494
Other territories	**34,927**	16,015
	2,863,726	2,334,135

FINANCIAL INFORMATION

The results and cash flows of the Group for the year ended 31st December, 1994 and the state of affairs of the Company and of the Group as at that date, are set out in the accounts on pages 34 to 58.

COMPARATIVE FINANCIAL INFORMATION

The following table summarises the results, assets and liabilities of the Group for the five years ended 31st December, 1994 which assumes that the Group structure effective in June, 1991 had been in existence throughout the periods prior to June, 1991. The results and financial position of the Group for each of the three years ended 31st December, 1994, 1993 and 1992 have been prepared on a consolidated basis.

	Consolidated			Proforma Combined Basis	
	1994	1993	1992	1991	1990
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**2,863,726**	2,334,135	1,661,364	1,169,622	892,337
Profit before taxation	**234,236**	166,666	145,569	107,695	61,072
Taxation	**28,625**	29,034	30,478	22,565	15,571
Profit after taxation	**205,611**	137,632	115,091	85,130	45,501
Minority interests	**10,264**	0	0	0	0
Profit for the year	**195,347**	137,632	115,091	85,130	45,501

	Consolidated			Proforma Combined Basis	
	1994	1993	1992	1991	1990
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Intangible assets	**9,468**	602	3,707	6,884	10,954
Fixed assets	**206,380**	154,657	100,353	57,859	39,002
Property under development	**16,468**	0	0	0	0
Interest in associated companies	**13,767**	4,918	20,200	0	0
Other investments	**2,467**	1,325	1,956	1,777	834
Current assets	**792,393**	662,443	620,208	399,157	278,488
Total assets	**1,040,943**	823,945	746,424	465,677	329,278
Liabilities					
Current liabilities	**430,441**	365,064	381,303	179,895	269,021
Non-current liabilities	**12,513**	4,184	3,444	2,543	1,627
Interests of and loans from minority shareholders	**53,468**	0	0	0	0
	496,422	369,248	384,747	182,438	270,648
Net assets	**544,521**	454,697	361,677	283,239	58,630

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate percentages of purchases and sales attributable to the Group's five largest suppliers and customers respectively are less than 30%.

DIVIDENDS

An interim dividend of 3.5 cents (1993: 2.5 cents) per share was paid on 24th August, 1994. The directors recommend the payment of a final dividend of 7.5 cents (1993: 6.5 cents) per share for the financial year ended 31st December, 1994.

SHARE CAPITAL

Details of the movements in the authorised and issued share capital of the Company during the year are shown in note 19 to the accounts on pages 49 and 50. Details of share options granted by the Company during the year are set out in note 19 to the accounts on pages 49 and 50.

RESERVES

Movements in reserves during the year are set out in note 20 to the accounts on pages 50 and 51.

FIXED ASSETS

During the year, the Group acquired fixed assets of approximately HK$144 million. The principal components of these assets include HK$56 million of assets acquired from the acquisition of subsidiaries and HK$80 million of leasehold improvements, furniture and fixtures for the Group's retail operations in Taiwan and Hong Kong.

Movements in fixed assets during the year are set out in note 11 to the accounts on pages 45 and 46.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 1994 are set out in note 33 to the accounts on pages 56 to 58.

CHARITABLE DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK$832,299 (1993: HK$479,846).

Report of the Directors

DIRECTORS

The directors who held office during the year and up to the date of this report were:–

Mr. Lau Kwok Kuen, Peter	
Mr. Barry John Buttifant	
Mr. Chan Kui Tim, Jimmy	(appointed on 21st February, 1994)
Mr. Cheung Kam Man, Raymond	(appointed on 21st February, 1994)
Mr. Chu Bun, Wilson	(appointed on 21st February, 1994)
Mr. Lam Chuen Chi, Leo	(appointed on 21st February, 1994)
Mr. Lam Chun Keung, Richard	
Mr. Edward James Wu	
Mr. Lai Chee Ying, Jimmy	(resigned on 10th August, 1994)
Mr. Wang Xin Wen	(resigned on 17th October, 1994)

Messrs. Barry John Buttifant and Edward James Wu retire in accordance with article 77 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and senior management of the Group are set out as follows (with their age in brackets):–

Mr. **LAU Kwok Kuen, Peter** (42) Chairman. Mr. Lau also holds the positions of Chief Executive and Managing Director. He joined the Group in 1987 and became the Chief Executive on 8th February, 1994. He was elected Chairman of the Board of Directors of the Company on 10th August, 1994. Mr. Lau was educated in Canada and holds a MBA degree from the University of Calgary. He is a member of the Canadian Institute of Chartered Accountants. Prior to joining the Group, Mr. Lau had over 12 years' accounting experience in the private and the public sectors in Canada.

Mr. **Barry John BUTTIFANT** (49) Non-executive Director. Mr. Buttifant was the Chief Executive of the Sime Darby group between 1982 and 1987. He joined the Polly Peck group in 1987 as Chief Executive of its Far East operations. Presently, he is the Managing Director of IDT International Limited. He became a Non-executive Director of the Company in May 1991.

Mr. **CHAN Kui Tim, Jimmy** (45) Executive Director and Company Secretary. Mr. Chan is a graduate of the University of Alberta, and is a member of the Canadian Institute of Chartered Accountants and an associate member of the Hong Kong Society of Accountants. He joined the Group in 1990 and has over 19 years' experience in audit, finance and corporate management.

Mr. **CHEUNG Kam Man, Raymond** (47) Executive Director. Mr. Cheung also holds the position of Chief Executive of the Group's Manufacturing Division. Prior to joining the Group in 1985, he spent 11 years working in the United Kingdom and had extensive experience in the garment trading and manufacturing industries.

Mr. **CHU Bun, Wilson** (38) Executive Director. Mr. Chu also holds the position of General Manager of the Hong Kong Retailing Division. He holds a MBA degree from York University and is a member of the Canadian Institute of Chartered Accountants. Prior to joining the Group in 1989, Mr. Chu had over 8 years of audit and finance experience in Canada.

Mr. **LAM Chuen Chi, Leo** (39) Executive Director. Mr. Lam also holds the position of General Manager of the Taiwan Branch of the Group's subsidiary, East Jean Limited. He is a graduate of the Chinese University of Hong Kong. He joined the Group in 1986 and has over 15 years' experience in the retailing industry.

Mr. **LAM Chun Keung, Richard** (47) Non-executive Director. Mr. Lam was appointed Non-executive Director of the Company in July 1993. He holds a MBA degree from University of California, Berkeley. He is a columnist and has over 16 years' experience in the advertising industry in Hong Kong.

Mr. **Edward James WU** (44) Non-executive Director. Mr. Wu was previously with CCIC Finance Limited, a Hong Kong merchant banking affiliate of the Bank of China, and is currently Managing Director of Vimeda Company Limited. He has over 21 years' experience in finance, trading, manufacturing and retailing in Asia. He became a Non-executive Director of the Company in May 1991.

Mr. **AU Chi Keung, Alan** (38) Director of International Marketing of Giordano Limited. Mr. Au is a graduate of Hong Kong Polytechnic (now Hong Kong Polytechnic University) and joined the Group in 1985.

Mr. **William Garrett BENNETT** (33) Director of Product Development of Giordano Limited. Mr. Bennett joined the Group in 1986 and has 10 years' experience in fashion design.

Mr. **CHAN Min, Samuel** (40) Deputy Chief Executive Officer and Senior Vice President of the Group's subsidiary, Tiger Enterprises Limited. Prior to joining Tiger Enterprises Limited in 1991, Mr. Chan had over 12 years' experience as a business and management information consultant in retail businesses. He is a graduate of Hong Kong Polytechnic (now Hong Kong Polytechnic University) and is a member of the British Computer Society.

Mr. **CHAN Wai Ming, Steve** (48) Chief Operation Officer and Senior Vice President of the Group's subsidiary, Tiger Enterprises Limited. Mr. Chan joined Giordano Limited as a General Manager in 1993. Later, he was invited to join Tiger Enterprises Limited for the current position. Prior to joining the Group, Mr. Chan had over 15 years' experience in retailing in the Far East and North America.

Mr. **CHEUNG Kwok Leung, Peter** (43) Managing Director of the Group's subsidiary, Gloss Mind Casual Wear Limited. Mr. Cheung joined the Group in 1990 and has over 20 years' experience in the garment manufacturing industry.

Mr. **George Erwin ERDOS** (40) General Manager of Giordano Fashions Limited. Mr. Erdos joined the Group in 1993. He is also a Director and a 20% shareholder of Giordano Fashions Limited. Prior to joining the Group, Mr. Erdos had 20 years' experience in the fashion industry in New Zealand.

Mr. **FUNG Wai Lun, Daniel** (38) Assistant General Manager of the Taiwan Branch of the Group's subsidiary, East Jean Limited. He joined the Group in 1986 and has over 18 years' experience in the retailing industry.

Mr. **FUNG Wing Cheong, Charles** (33) General Manager of Giordano Originals (Singapore) Private Limited. Mr. Fung joined the Group in 1988. He holds a bachelor degree from the University of Hong Kong. Before joining the Group, he worked for 5 years in the real estate business.

Mr. **NG Sze Yuen, Terry** (35) Director of Regional Office of Giordano Limited. Mr. Ng was educated in Canada and Australia and is a graduate of the University of New South Wales in Australia. He is a member of the Australian Society of Certified Practising Accountants. Prior to joining the Group in 1993, he worked for The Stock Exchange of Hong Kong Limited for more than five years.

Mr. **VEN Kam Cheong, Eric** (31) General Manager of the Group's subsidiary, Aktiviti Padu (M) Sdn. Bhd. Mr. Ven joined the Group in 1986 and has 8 years' experience in the garment retailing industry.

Mr. **YEUNG Chi Chiu** (43) Art and Visual Director of Giordano Limited. Mr. Yeung has over 18 years' experience in the field of advertising and design and joined the Group in 1988.

DIRECTORS' INTERESTS IN CONTRACTS

In June, 1992, the Company entered into a shareholders' agreement (subsequently amended on 12th April, 1994 and on 1st August, 1994 respectively) with Mr. Lai Chee Ying, Jimmy ("Mr. Lai"), who was a director of the Company until his resignation on 10th August, 1994. Pursuant to the aforesaid shareholders' agreement (as amended) the Company and Mr. Lai agreed to certain arrangements relating to their participation as shareholders in Tiger Enterprises Limited ("Tiger"), which is now held as to 51 percent by the Company, 47.5 percent by Mr. Lai (following the transfer of a 0.5 percent shareholding from Mr. Lai to each of Mr. Lau Kwok Kuen, Peter ("Mr. Lau") and Mr. Chan Kui Tim, Jimmy ("Mr. Chan"), directors of the Company and Mr. Au Chi Keung, Alan, a director of Tiger). Mr. Lai has advanced unsecured interest bearing loans to Tiger which were outstanding in the total principal amount of HK$77,910,000 as at 31st December, 1994.

During the year, the Group, under an arrangement established in previous years, purchased sweaters and T-shirts from Comitex Knitters Limited, a subsidiary of Comitex Holdings Limited, amounting to HK$76,798,000 (1993: HK$61,469,000). In addition, the Group under the garment processing agreements and the licensing agreement previously established, has sourcing and garment processing transactions with and royalty income received from Tiger totalling HK$57,084,000 (1993: HK$80,054,000). The directors consider that the above transactions were made in the normal course of business of the Group.

Mr. Lai, a director of the Company until his resignation on 10th August, 1994, was interested in the aforesaid transactions as he has controlling interests in Comitex Holdings Limited and substantial beneficial interests in Tiger. Mr. Lau and Mr. Chan, directors of the Company, also have beneficial interests in Tiger.

Apart from the above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31st December, 1994, the interests of the directors in the share capital of the Company and its subsidiary were as follows:–

The Company

Directors	Number of shares held				Number of shares over which options have been granted
	Personal	Family	Corporate	Total	
Lau Kwok Kuen, Peter	2,500,000	–	–	2,500,000	2,500,000
Chan Kui Tim, Jimmy	780,000	–	–	780,000	1,992,000
Cheung Kam Man, Raymond	–	–	–	–	500,000
Chu Bun, Wilson	–	–	–	–	1,000,000
Lam Chuen Chi, Leo	–	–	–	–	1,025,000

Tiger Enterprises Limited

Directors	Number of shares held			
	Personal	Family	Corporate	Total
Lau Kwok Kuen, Peter	300,000	–	–	300,000
Chan Kui Tim, Jimmy	300,000	–	–	300,000

Save as disclosed above, none of the directors and their associates had any interests in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "Ordinance")) which have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to section 28 of the Ordinance (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to the Ordinance) or which are required, pursuant to section 29 of the Ordinance, to be entered in the register referred to therein.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year, options to subscribe for ordinary shares of the Company were granted to the following directors:–

Directors	Number of shares over which options have been granted	Exercise price per share HK$
Lau Kwok Kuen, Peter	1,800,000	3.71
Chan Kui Tim, Jimmy	1,692,000	3.71
Chu Bun, Wilson	1,000,000	3.21

During the year, options for 2,500,000 ordinary shares of the Company granted in previous years were exercised by the director, Mr. Lau Kwok Kuen, Peter, as follows:–

Number of shares over which options were exercised	Exercised price per share HK$
2,250,000	0.81
250,000	1.46

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31st December, 1994 the following information was recorded in the register kept by the Company under section 16 of the Ordinance:–

(a) Lai Chee Ying, Jimmy ("Mr. Lai") held 231,526,481 shares of the Company;

(b) 77,819,000 shares of the Company were held by custodian(s) for Tiger Management Corporation ("TMC") and Panther Management Corporation ("PMC"), managers of investment funds and investment portfolios. Mr. Julian H. Robertson, Jr. is a controlling shareholder of both TMC and PMC. None of TMC, PMC and Mr. Julian H. Robertson, Jr. are related to the Group; and

(c) 73,067,000 shares of the Company were held by custodian(s) for accounts managed by General Electric Investment Corporation ("GEIC") and GE Investment Management Incorporated ("GEIMI"). Neither GEIC nor GEIMI is related to the Group.

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10 percent or more of the issued share capital of the Company.

SERVICE CONTRACTS

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the interests of Mr. Lai in those contracts described in the section headed "Directors' Interests in Contracts", no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a controlling shareholder or any of its subsidiaries had a material interest, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

In April, 1994, the Company repurchased a total of 1,662,000 shares of HK$0.10 each of the Company at an aggregate purchase cost of HK$5,413,000 (the highest and lowest prices of the shares purchased were HK$3.40 and HK$3.00 per share respectively) on The Stock Exchange of Hong Kong Limited, all of which have been cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, banking facilities and other borrowings at 31st December, 1994 are set out in notes 17, 23 and 27 to the accounts on pages 48, 52 and 54 respectively. The bank loans are repayable within one year.

AUDITORS

A resolution to reappoint the retiring auditors, Coopers & Lybrand, will be submitted at the Annual General Meeting.

OTHER MATTERS

On 30th December, 1994, Dongguan Chihing Garments Limited ("Dongguan Chihing"), a foreign investment enterprise established in Dongguan, the PRC, which is wholly-owned by Master Trend Garments Limited, a wholly-owned subsidiary of the Company, entered into a tenancy contract with Shenzhen Tiger Garment Limited (the "Tenant") pursuant to which Dongguan Chihing has agreed to let to the Tenant the premises located at Basement, First and Second Floors, Blocks 3 and 4 Podium, Jincheng Building, Dongmen South Road and Shennan East Road Intersection, Shenzhen and shop front commercial sign display area at a monthly rental of RMB421,070 (such rental will be adjusted at an annual increase rate of 8 percent) for a term commencing from 1st January, 1995 up to and including 31st July, 2002. The Tenant is a co-operative joint-venture enterprise in Shenzhen between Tiger and a local Chinese entity.

On behalf of the board

LAU KWOK KUEN, PETER
Chairman
Hong Kong, 15th February, 1995

Report of the Auditors

To the members of
GIORDANO HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the accounts set out on pages 34 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
The Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION
We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION
In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1994 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

COOPERS & LYBRAND
Certified Public Accountants
Hong Kong, 15th February, 1995

Consolidated Profit and Loss Account

For the year ended 31st December, 1994

	Note	**1994 HK$'000**	1993 HK$'000
Turnover	2	**2,863,726**	2,334,135
Operating profit	3	**235,251**	180,481
Share of loss of associated companies		**(1,015)**	(13,815)
Profit before taxation		**234,236**	166,666
Taxation	6	**(28,625)**	(29,034)
Profit after taxation		**205,611**	137,632
Minority interests		**(10,264)**	0
Profit attributable to the members	7	**195,347**	137,632
Appropriation:–			
Dividends	8	**(69,836)**	(57,098)
Retained profit for the year	20	**125,511**	80,534
Earnings per share	9	**30.9¢**	22.0¢

The notes on pages 37 to 58 form an integral part of these accounts.
Auditors' report – page 33

Balance Sheets

At 31st December, 1994

	Note	Group		Company	
		1994	1993	**1994**	1993
		HK$'000	HK$'000	**HK$'000**	HK$'000
Intangible assets	10	**9,468**	602	**0**	0
Fixed assets	11	**206,380**	154,657	**10,248**	8,825
Property under development	12	**16,468**	0	**0**	0
Interest in subsidiaries	13	**0**	0	**827,689**	735,517
Interest in associated companies	14	**13,767**	4,918	**14,367**	30,600
Other investments	15	**2,467**	1,325	**767**	1,307
Current assets	16	**792,393**	662,443	**8,836**	20,307
Current liabilities	17	**(430,441)**	(365,064)	**(51,337)**	(43,339)
Net current assets/(liabilities)		**361,952**	297,379	**(42,501)**	(23,032)
		610,502	458,881	**810,570**	753,217
Share capital	19	**63,354**	63,098	**63,354**	63,098
Reserves	20	**481,167**	391,599	**746,179**	689,122
Shareholders' funds		**544,521**	454,697	**809,533**	752,220
Non-current liabilities	21	**12,513**	4,184	**1,037**	997
Interests of and loans from minority shareholders	24	**53,468**	0	**0**	0
		610,502	458,881	**810,570**	753,217

Approved by the Board of Directors on 15th February, 1995

LAU KWOK KUEN, PETER
Director

BARRY JOHN BUTTIFANT
Director

The notes on pages 37 to 58 form an integral part of these accounts.
Auditors' report – page 33

Consolidated Cash Flow Statement

For the year ended 31st December, 1994

	Note	1994 HK$'000	1993 HK$'000
Net cash inflow from operating activities	28	**297,401**	124,847
Returns on investments and servicing of finance:–			
Interest received		**2,531**	2,760
Interest paid		**(7,468)**	(2,151)
Finance charges on finance leases		**(709)**	0
Dividends paid		**(63,334)**	(47,114)
Net cash outflow from returns on investments and servicing of finance		**(68,980)**	(46,505)
		228,421	78,342
Taxation:–			
Hong Kong profits tax paid		**(6,765)**	(3,885)
Overseas tax paid		**(21,810)**	(28,007)
Tax paid		**(28,575)**	(31,892)
Investing activities:–			
Purchases of fixed assets		**(88,241)**	(108,449)
Property under development		**(2,542)**	0
Sale of fixed assets		**3,904**	962
Purchases of subsidiary companies	30	**(46,035)**	0
Sale of other investment		**920**	0
Interest in an associated company		**(14,367)**	0
Purchase of other investments		**(1,812)**	(402)
Purchase of intangible assets		**(11,054)**	(503)
Net cash outflow from investing activities		**(159,227)**	(108,392)
Net cash inflow/(outflow) before financing		**40,619**	(61,942)
Financing:–			
Obligations under finance leases		**(2,074)**	0
Repayment of loan to minority shareholder		**(32,090)**	0
Repurchase of shares		**(5,441)**	0
Issue of share capital		**3,598**	15,583
Net cash (outflow)/inflow from financing		**(36,007)**	15,583
Increase/(decrease) in cash and cash equivalents		**4,612**	(46,359)
Cash and cash equivalents at the beginning of the year		**25,146**	72,729
Effect of foreign exchange rate changes		**7,607**	(1,224)
Cash and cash equivalents at the end of the year	32	**37,365**	25,146

The notes on pages 37 to 58 form an integral part of these accounts.
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Notes to the Accounts

At 31st December, 1994

1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principle accounting policies which have been adopted in the preparation of these accounts are set out below:–

(a) Basis of consolidation

(i) The consolidated accounts incorporate the accounts of Giordano Holdings Limited and its subsidiaries made up to 31st December, 1994.

(ii) All material intercompany transactions and balances within the Group are eliminated on consolidation.

(iii) The results of subsidiaries acquired during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition.

(iv) Minority interests represent the interests of outside members in the operating results and net assets.

(v) Capital reserve or goodwill arising on consolidation represents the excess or deficit respectively of the fair value of the net assets of the subsidiaries at the dates of acquisition over the value of the consideration paid.

(vi) Capital reserve arising on consolidation is taken directly to reserves. Goodwill arising on consolidation is eliminated against any capital reserve arising on consolidation and, where the reserve is insufficient, against other available reserves.

(b) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than 50 percent of its voting power or issued share capital or controls the composition of its board of directors.

Investment in subsidiaries are carried at cost, unless, in the opinion of the directors, there has been a permanent diminution in value when they are written down to directors' valuation.

(c) Associated companies

Associated companies are those other than subsidiaries in which the Group holds not less than 20 percent and not more than 50 percent of the equity as a long term investment and has the ability to exercise a significant influence in their management. Associated companies are accounted for by the Group under the equity method of accounting, and by the Company at cost less provision for permanent diminution in value.

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1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Fixed assets

(i) Land held under long lease is not amortised.

(ii) Depreciation on other fixed assets is calculated to write off their costs on a straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:–

Buildings	4%
Leasehold improvements	20% – 50%
Plant and machinery	20%
Furniture and fixtures	20% – 50%
Office equipment	20% – 25%
Motor vehicles	20% – 25%
Leisure boat	20%

(e) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership, other than legal title, to the Group. Assets held under finance leases are accounted for as if purchased and an amount equivalent to the cost is recorded as a fixed asset. The corresponding lease commitments are shown as obligations under finance leases. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account. Assets held under finance leases are depreciated over their estimated useful lives.

(f) Properties under development

Properties under development represent construction cost to the Group. Cost comprises land and related development costs. Properties under development will be reclassified as land and buildings upon the completion of the construction and development work.

(g) Intangible assets

Preliminary expenses and lease premium in respect of retail shops and office premises are written off over the terms of the respective leases.

(h) Other investments

Purchased club debentures are capitalised and amortised over a period of three years.

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1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and is arrived at as follows:–

(i) Raw materials and purchased goods – invoiced prices plus procurement costs.

(ii) Work in progress and finished goods – cost of direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

(j) Taxation

The charge for taxation is based on the profit for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent that it is probable a liability or an asset will crystallise in the foreseeable future.

(k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

The accounts of overseas subsidiaries and branches at the year end are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of share capital and opening reserves of these entities are taken directly to exchange reserve.

(l) Operating leases

Rentals applicable to operating leases, under which substantially all the benefits and risks of the ownership remain with the lessor, are charged to the profit and loss account.

2. TURNOVER

Turnover comprises sales at invoiced value to customers outside the Group, less returns and discounts.

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3. OPERATING PROFIT

	Group	
	1994	1993
	HK$'000	HK$'000
The operating profit is stated after charging:–		
Auditors' remuneration	**1,594**	1,174
Depreciation of owned fixed assets	**66,119**	51,232
Depreciation of fixed assets held under finance leases	**1,368**	0
Amortisation of intangible assets	**2,599**	3,608
Amortisation of other investments	**1,517**	1,033
Interest on bank loans and overdrafts repayable within 1 year	**5,176**	2,151
Interest on other loans	**2,292**	0
Operating lease rentals in respect of retail shops, office premises, factories and warehouses	**427,135**	357,557
Finance charges on finance leases	**709**	0
Loss on disposal of fixed assets	**2,256**	981
and after crediting:–		
Interest income	**2,531**	2,760
Net income arising from temporary transfer of export quota entitlements	**2,114**	2,605

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4. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments are as follows:–

	1994 HK$'000	1993 HK$'000
As directors	**310**	440
For management		
– basic salaries, housing allowances, other allowances and benefits in kind	**8,376**	3,781
Bonuses	**9,456**	8,360
Directors' pensions	**253**	137
	18,395	12,718

In addition, during the year, the directors have been granted options under the Company's Employee Share Option Scheme (the "Option Scheme") to acquire 3,492,000 and 1,000,000 ordinary shares of the Company at HK$3.71 and HK$3.21 per share respectively. The closing market price of the Company's shares as at 31st December, 1994 was HK$4.475. The expiry date of these options is 23rd May, 2001.

As at 31st December, 1994, 2,500,000 shares were issued pursuant to the exercise of options granted under the Option Scheme. The exercise and closing market prices at the date of exercise were as follows:–

Number of shares over which options were exercised	Exercise price per share HK$	Closing market price per share at the date of exercise HK$
2,250,000	0.81	3.45
250,000	1.46	3.45
2,500,000		

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4. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONT'D)

(b) The number of directors whose emoluments fell within the following bands are set out below. The emoluments represent the amounts paid to or receivable by the directors while being directors of the Company in the respective financial year and are stated net of the benefits derived or to be derived from the options granted under the Option Scheme to acquire the ordinary shares of the Company.

Directors' emoluments	**Number of directors**	
HK$'000	**1994**	1993
Nil – 1,000	**3**	5
1,501 – 2,000	**1**	0
2,001 – 2,500	**1**	0
2,501 – 3,000	**1**	0
3,001 – 3,500	**1**	0
5,001 – 5,500	**0**	1
6,501 – 7,000	**0**	1
7,501 – 8,000	**1**	0
	8	7

No directors have waived emoluments in respect of the year ended 31st December, 1994.

(c) The aggregate amounts of the five highest paid individuals whose emoluments have not been disclosed in directors' emoluments noted above are as follows:–

	1994	1993
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,286**	3,220
Pension contributions	**0**	7
Bonuses	**2,511**	2,892
	4,797	6,119

The number of these highest paid individuals whose emoluments fell within the following bands are as follows:–

Emoluments	**Number of individuals**	
HK$'000	**1994**	1993
1,501 – 2,000	**0**	1
2,001 – 2,500	**2**	2
	2	3

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5. PENSION SCHEME ARRANGEMENTS

The Company and certain of its wholly-owned subsidiaries operate a defined contribution provident scheme (the "Giordano Scheme"). Tiger Enterprises Limited (a 51% owned subsidiary of the Company) also separately operates a defined contribution provident scheme (the "Tiger Scheme"). Under both the Giordano Scheme and the Tiger Scheme, contributions of 5% of the employee's monthly salary are made by each of the employer and the employee.

Under both Schemes, the unvested benefits of employees terminating employment are utilised by the employers to reduce their future levels of contributions. The amounts of unvested benefits so utilised by the employers under the Giordano Scheme and the Tiger Scheme during the year ended 31st December, 1994 were HK$2,151,000 and HK$366,000 respectively. As at 31st December, 1994, the amounts available for reducing the levels of employers' contributions for the following year under the Giordano Scheme and the Tiger Scheme were HK$2,254,000 and HK$656,000 respectively.

The Company's subsidiaries in Singapore and Malaysia, namely Giordano Originals (Singapore) Private Limited and Aktiviti Padu (M) Sdn. Bhd., participate in central provident fund schemes established by the Singaporean and Malaysian authorities.

The Group's pension cost charged to the profit and loss account for the year ended 31st December, 1994 was HK$10,887,000 (1993: HK$8,749,000).

6. TAXATION

(a) The charge for taxation in the consolidated profit and loss account represents:–

	Group	
	1994	1993
	HK$'000	HK$'000
Hong Kong profits tax	**7,005**	5,694
Overseas taxation	**22,646**	22,679
Deferred taxation (Note 22)	**(1,026)**	661
	28,625	29,034

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 16.5% (1993: 17.5%) to the estimated assessable profits earned in or derived from Hong Kong during the year.

The Group has claimed deductions on certain royalty payments in prior and current years totalling HK$185,100,000 and the tax thereon is HK$31,503,000. The claim is subject to the endorsement of the Hong Kong Inland Revenue Department. The directors are of the opinion that the endorsement of the Hong Kong Inland Revenue Department would be successfully obtained and in consequence no provision is made in these accounts.

Taxation on the profits of other subsidiaries operating overseas is calculated at the rates applicable in the respective jurisdictions.

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6. TAXATION (CONT'D)

(b) Taxation in the balance sheet represents the amount provided for Hong Kong profits tax and overseas taxation less provisional tax paid.

7. PROFIT ATTRIBUTABLE TO THE MEMBERS

Included in the profit of HK$195,347,000 (1993: HK$137,632,000), attributable to the members of the Company is HK$128,992,000 (1993: HK$111,146,000), including dividends from subsidiaries amounting to HK$133,455,000 (1993: HK$111,904,000), which has been dealt with in the accounts of the Company.

8. DIVIDENDS

	1994	1993
	HK$'000	HK$'000
Interim dividend of 3.5 cents (1993: 2.5 cents) per share paid on 24th August, 1994	**22,321**	16,085
Proposed final dividend of 7.5 cents (1993: 6.5 cents) per share	**47,515**	41,013
	69,836	57,098

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated operating profit attributable to the members for the year of HK$195,347,000 (1993: HK$137,632,000) and the weighted average of 632,479,309 shares (1993: 626,346,879 shares) in issue during that year.

The exercise of the options granted under the Option Scheme and the repurchase of shares would not materially dilute the earnings per share in respect of the year ended 31st December, 1994, and accordingly such diluted earnings per share is not shown.

10. INTANGIBLE ASSETS

	Group	
	1994	1993
	HK$'000	HK$'000
Preliminary expenses and lease premium in respect of retail shops and office premises	**13,647**	2,182
Less: Amounts amortised	**(4,179)**	(1,580)
	9,468	602

Purchased permanent export quota entitlements with a total cost of HK$17,019,000 have been fully amortised in the previous year.

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11. FIXED ASSETS

	Land & buildings HK$'000	Plant & machinery HK$'000	Leasehold improvements, furniture, fixtures & office equipment HK$'000	Motor vehicles & leisure boat HK$'000	Total HK$'000
The Group:–					
Cost					
At 1st January, 1994	**13,926**	**36,328**	**226,963**	**13,031**	**290,248**
Translation difference	**0**	**0**	**5,337**	**364**	**5,701**
On acquisition of subsidiaries	**10,814**	**0**	**43,543**	**1,740**	**56,097**
Additions	**0**	**8,311**	**74,224**	**5,706**	**88,241**
Transfer to property under development (Note 12)	**(13,926)**	**0**	**0**	**0**	**(13,926)**
Disposals	**0**	**(698)**	**(11,320)**	**(1,763)**	**(13,781)**
At 31st December, 1994	**10,814**	**43,941**	**338,747**	**19,078**	**412,580**
Aggregate depreciation					
At 1st January, 1994	**0**	**18,210**	**112,144**	**5,237**	**135,591**
Translation difference	**0**	**0**	**2,226**	**107**	**2,333**
On acquisition of subsidiaries	**144**	**0**	**7,702**	**564**	**8,410**
Charge for the year	**90**	**5,789**	**58,412**	**3,196**	**67,487**
Disposals	**0**	**(61)**	**(6,250)**	**(1,310)**	**(7,621)**
At 31st December, 1994	**234**	**23,938**	**174,234**	**7,794**	**206,200**
Net book value at 31st December, 1994	**10,580**	**20,003**	**164,513**	**11,284**	**206,380**
Net book value at 31st December, 1993	13,926	18,118	114,819	7,794	154,657

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11. FIXED ASSETS (CONT'D)

	Furniture, fixtures & office equipment HK$'000	Motor vehicles & leisure boat HK$'000	Total HK$'000
The Company:-			
Cost			
At 1st January, 1994	**13,224**	**436**	**13,660**
Additions	**2,118**	**2,723**	**4,841**
Disposals	**(226)**	**(436)**	**(662)**
At 31st December, 1994	**15,116**	**2,723**	**17,839**
Aggregate depreciation			
At 1st January, 1994	**4,511**	**324**	**4,835**
Charge for the year	**2,862**	**329**	**3,191**
Disposals	**(105)**	**(330)**	**(435)**
At 31st December, 1994	**7,268**	**323**	**7,591**
Net book value at 31st December, 1994	**7,848**	**2,400**	**10,248**
Net book value at 31st December, 1993	8,713	112	8,825

(a) Land and buildings are situated in the People's Republic of China ("PRC"), and are held under long leases. They are mortgaged to a bank to secure credit facilities.

(b) As at 31st December, 1994, leasehold improvements and office equipment with a total cost and aggregate depreciation of HK$13,942,000 (1993: Nil) and HK$4,353,000 (1993: Nil) respectively were held under finance leases.

12. PROPERTY UNDER DEVELOPMENT

	Group	
	1994	1993
	HK$'000	HK$'000
Transfer from fixed assets (Note 11)	**13,926**	0
Additions at cost	**2,542**	0
	16,468	0

The property is situated in the PRC and is held under a long lease. The property is being developed into a factory for the manufacturing operations of the Group.

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13. INTEREST IN SUBSIDIARIES

	Company	
	1994	1993
	HK$'000	HK$'000
Unlisted shares, at cost	**476,413**	443,570
Amounts due from subsidiaries	**351,276**	291,947
	827,689	735,517

Details of principal subsidiaries are set out in note 33 to the accounts on pages 56 to 58.

14. INTEREST IN ASSOCIATED COMPANIES

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**0**	0	**14,367**	200
Share of net assets/(liabilities)	**13,767**	(25,482)	**0**	0
Loan to the associated company	**0**	30,400	**0**	30,400
	13,767	4,918	**14,367**	30,600

At 31st December, 1994, the Group had an effective 30 percent interest in the equity of Giordano Corporation Limited which was incorporated in Korea and is engaged in the retail distribution of apparel and other accessories under the "GIORDANO" brand.

During the year, the Company had acquired an additional 31% equity interest in Tiger Enterprises Limited ("Tiger") as a result of which Tiger has become a 51% owned subsidiary of the Company.

15. OTHER INVESTMENTS

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club debentures, at cost	**5,677**	3,338	**3,661**	3,221
Less: amounts amortised	**(3,210)**	(2,013)	**(2,894)**	(1,914)
	2,467	1,325	**767**	1,307

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16. CURRENT ASSETS

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
Inventories (Note 18)	**413,754**	378,623	**0**	0
Trade and bills receivable	**79,846**	86,687	**0**	0
Other receivables, deposits and prepayments	**190,962**	121,987	**1,205**	2,174
Cash and bank balances	**107,831**	75,146	**7,631**	18,133
	792,393	662,443	**8,836**	20,307

17. CURRENT LIABILITIES

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills payable	**152,422**	135,214	**0**	0
Other payables and accruals	**133,865**	118,804	**3,792**	2,241
Obligations under finance leases (Note 23)	**4,287**	0	**0**	0
Short term bank loans – unsecured (Note 27)	**61,722**	50,000	**0**	0
Taxation (Note 6(b))	**21,886**	20,033	**30**	85
Proposed dividends (Note 8)	**47,515**	41,013	**47,515**	41,013
Bank overdraft	**8,744**	0	**0**	0
	430,441	365,064	**51,337**	43,339

18. INVENTORIES

	Group	
	1994	1993
	HK$'000	HK$'000
Raw materials	**40,688**	33,607
Work in progress	**60,588**	61,924
Finished goods	**312,478**	283,092
	413,754	378,623

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19. SHARE CAPITAL

	1994 HK$'000	1993 HK$'000
Authorised:–		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:–		
633,538,000 ordinary shares of HK$0.10 each (1993: 630,975,000 ordinary shares of HK$0.10 each)	**63,354**	63,098

(a) During the year, the Company repurchased a total of 1,662,000 shares of HK$0.10 each in the Company at an aggregate purchase cost of HK$5,413,000 in the open market through The Stock Exchange of Hong Kong Limited. All of these shares have been subsequently cancelled.

(b) Details of the movements in the share options granted by the Company under the Option Scheme during the year are set out as follows:–

	Number of shares over which options were granted	
	1994	1993
At 1st January	**12,700,000**	21,675,000
Amount granted	**18,394,000**	7,075,000
Amount exercised	**(4,225,000)**	(15,050,000)
Amount cancelled	**(2,512,000)**	(1,000,000)
At 31st December	**24,357,000**	12,700,000

(i) Options to subscribe for shares in the Company were granted during the year to certain directors and employees of the Group as follows:–

Date of grant	Number of shares over which options were granted	Exercise price per share HK$	Exercise period
27th January, 1994	3,455,000	3.21	From 27th January, 1997 to 23rd May, 2001
27th January, 1994	2,200,000	3.21	From 27th January, 1998 to 23rd May, 2001
7th February, 1994	40,000	3.26	From 7th February, 1997 to 23rd May, 2001
29th March, 1994	2,634,000	3.11	From 29th March, 1997 to 23rd May, 2001
27th May, 1994	2,605,000	2.90	From 27th May, 1997 to 23rd May, 2001
28th September, 1994	3,968,000	3.73	From 28th September, 1997 to 23rd May, 2001
28th October, 1994	3,492,000	3.71	From 28th April, 1995 to 23rd May, 2001
	18,394,000		

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19. SHARE CAPITAL (CONT'D)

(ii) Options to subscribe for 4,225,000 shares of HK$0.10 each of the Company granted under the Option Scheme in previous years were exercised during the year. In this connection, the Company issued and allotted 3,925,000 shares and 300,000 shares at a premium of HK$0.71 and HK$1.36 per share respectively for cash to certain directors and employees of the Group.

(iii) During the year, options to subscribe for a total of 2,512,000 shares in the capital of the Company were cancelled due to resignations of directors and employees of the Group.

20. RESERVES

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Share premium:–				
Balance at 1st January	**173,088**	159,010	**173,088**	159,010
Arising on issue of new shares during the year	**3,195**	14,163	**3,195**	14,163
Share issuing expenses	**(19)**	(85)	**(19)**	(85)
Balance at 31st December	**176,264**	173,088	**176,264**	173,088
(b) Capital redemption reserve:–				
Balance at 1st January	**0**	0	**0**	0
Repurchase of shares (Note 19(a))	**166**	0	**166**	0
Balance at 31st December	**166**	0	**166**	0
(c) Capital reserve:–				
Balance at 1st January and 31st December	**0**	0	**380,000**	380,000
(d) Exchange reserve:–				
Balance at 1st January	**2,505**	5,602	**0**	0
Exchange differences arising from translation of the accounts of overseas subsidiaries and branch	**7,708**	(1,630)	**0**	0
Share of associated company's exchange reserve	**0**	(1,467)	**0**	0
Balance at 31st December	**10,213**	2,505	**0**	0
Balance carried forward to page 51	**186,643**	175,593	**556,430**	553,088

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20. RESERVES (CONT'D)

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance brought forward from page 50	**186,643**	175,593	**556,430**	553,088
(e) Retained profits:–				
Balance at 1st January	**216,006**	135,472	**136,034**	81,986
Retained profit for the year	**125,511**	80,534	**59,156**	54,048
Repurchase of shares	**(5,441)**	0	**(5,441)**	0
Goodwill arising on consolidation eliminated to retained profits	**(41,552)**	0	**0**	0
Balance at 31st December	**294,524**	216,006	**189,749**	136,034
Total reserves at 31st December	**481,167**	391,599	**746,179**	689,122
Retained by:–				
Company and subsidiaries				
Share premium	**176,264**	173,088		
Capital redemption reserve	**166**	0		
Exchange reserve	**10,213**	3,972		
Retained profits	**295,539**	240,221		
	482,182	417,281		
Associated companies				
Exchange reserve	**0**	(1,467)		
Deficit carried forward	**(1,015)**	(24,215)		
	481,167	391,599		

At 31st December, 1994, the distributable reserves of the Company available for distribution as dividends amounted to HK$189,749,000 (1993: HK$136,034,000).

21. NON-CURRENT LIABILITIES

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred taxation (Note 22)	**3,297**	4,184	**1,037**	997
Obligations under finance leases (Note 23)	**9,216**	0	**0**	0
	12,513	4,184	**1,037**	997

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22. DEFERRED TAXATION

	Group		Company	
	1994	1993	**1994**	1993
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at 1st January	**4,184**	3,444	**997**	1,259
Translation difference on opening balance	**139**	79	**0**	0
Transfer (to)/from profit and loss account (Note 6(a))	**(1,026)**	661	**40**	(262)
Balance at 31st December	**3,297**	4,184	**1,037**	997

The deferred tax liabilities which arose mainly from accelerated depreciation allowances have been fully provided for in these accounts. The deferred tax asset in respect of tax losses not taken up in the consolidated accounts as at 31st December, 1994 arising from the deduction of the GIORDANO trademark valued at HK$380,000,000 for tax purpose, was HK$41,906,000 (1993: HK$47,402,000).

23. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	1994	1993
	HK$'000	HK$'000
Obligations under finance leases are repayable:–		
Within one year	**4,287**	0
In the second to fifth years inclusive	**9,216**	0
	13,503	0

24. INTERESTS OF AND LOANS FROM MINORITY SHAREHOLDERS

	Group	
	1994	1993
	HK$'000	HK$'000
Interests of minority shareholders in:–		
Share capital invested	**31,975**	0
Accumulated losses up to the date of acquisition	**(66,681)**	0
Operating results subsequent to the acquisition	**10,264**	0
	(24,442)	0
Loans from a minority shareholder	**77,910**	0
	53,468	0

The loans from the minority shareholder are unsecured and interest bearing at commercial rates.

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25. RELATED PARTY TRANSACTIONS

During the year, the Group, in the normal course of business, entered into the following transactions with certain related and subsidiary companies:–

	Group	
	1994	1993
	HK$'000	HK$'000
Purchases from Comitex Knitters Limited (including such purchases made by Tiger and its subsidiaries after 1st August, 1994 when they became members of the Group)	**76,798**	61,469
Income arising from sourcing of raw materials and garment processing and royalties income from Tiger and its subsidiaries	**57,084**	80,054

26. COMMITMENTS

(a) Operating lease commitments

At 31st December, 1994, the Group had minimum commitments under operating leases in respect of retail shops, office premises, factories and warehouses to make payments in the next year as set out below:–

	Group	
	1994	1993
	HK$'000	HK$'000
Operating leases which expire:–		
Within one year	**60,264**	25,785
In the second to fifth years inclusive	**223,463**	215,312
Over five years	**25,494**	0
	309,221	241,097

(b) Other commitments

As at 31st December, 1994, the Group had contracted but not provided for in the accounts a total amount of HK$63,555,000 in respect of the acquisition of certain properties in the PRC for the Group's retail operations in Shenzhen.

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27. CONTINGENT LIABILITIES

At 31st December, 1994, the Group had contingent liabilities not included in the accounts in respect of the following:–

		Group	
		1994	1993
		HK$'000	HK$'000
(a)	Export bills discounted with recourse	**5,883**	3,002
(b)	Letters of credit issued but not yet utilised	**38,443**	29,921
(c)	Bank guarantees in lieu of utility deposits	**9,648**	5,991
(d)	Guarantee notes issued	**90,100**	59,193
		144,074	98,107

Trade financing facilities granted by banks to certain subsidiaries were guaranteed by the Company. At 31st December, 1994, the amount of such facilities utilised was HK$144,074,000.

In addition, the Company had also issued guarantees in favour of banks in respect of revolving credit and term loan facilities granted to subsidiaries. The total amount of such facilities utilised by subsidiaries at 31st December, 1994 was HK$61,722,000.

28. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994	1993
	HK$'000	HK$'000
Profit before taxation	**234,236**	166,666
Net interest paid/(received)	**5,646**	(609)
Depreciation of fixed assets	**67,487**	51,232
Amortisation of intangible assets and other investments	**4,116**	4,641
Share of loss of associated companies	**1,015**	13,815
Loss on disposal of fixed assets	**2,256**	981
Profit on disposal of other investments	**(880)**	0
Decrease in inventories	**46,443**	10,980
Increase in trade and bills receivable, other receivables, deposits and prepayments	**(25,349)**	(50,798)
Decrease in trade payable, other payables and accruals	**(37,569)**	(72,061)
Net cash inflow from operating activities	**297,401**	124,847

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29. ANALYSIS OF PURCHASES OF SUBSIDIARY COMPANIES

	HK$'000
Net assets acquired	
Fixed assets	**47,687**
Other investment	**884**
Inventories	**81,574**
Trade receivable	**115**
Other receivables and prepayments	**36,674**
Cash and bank balances	**23,982**
Other payables and accruals	**(74,790)**
Bank loan	**(65,000)**
Finance lease obligations – long term	**(10,625)**
Loans from a shareholder	**(110,000)**
	(69,499)
Minority interests	**35,922**
Goodwill on consolidation	**41,552**
Share of loss of an associated company	**27,442**
Purchase consideration	**35,417**
Satisfied by – conversion of loan	**30,400**
– cash	**5,017**
	35,417

30. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASES OF SUBSIDIARY COMPANIES

	HK$'000
Cash consideration	**5,017**
Cash and bank balances acquired	**(23,982)**
Bank loan acquired	**65,000**
Net outflow of cash and cash equivalents in respect of the purchases of subsidiary companies	**46,035**

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31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital HK$'000	Share premium HK$'000	Obligations under finance leases HK$'000
Balance at 1st January	**63,098**	**173,088**	**0**
Cash inflow/(outflow) from financing	**422**	**3,176**	**(2,074)**
Repurchase of shares transferred to capital redemption reserve	**(166)**	**0**	**0**
Finance lease obligations of subsidiaries acquired during the year	**0**	**0**	**15,577**
Balance at 31st December	**63,354**	**176,264**	**13,503**

32. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	1994 HK$'000	1993 HK$'000
Cash and bank balances	**107,831**	75,146
Bank loans and overdraft – unsecured	**(70,466)**	(50,000)
	37,365	25,146

33. SUBSIDIARIES

The following includes the principal subsidiaries of the Company which, in the opinion of the directors, were significant to the results of the year or formed a substantial portion of the net assets of the Group:–

Name of subsidiary	Place of incorporation	Effective percentage of equity holding		Issued and fully paid share capital or capital contribution	Principal activities and place of operation
		1994	1993		
Giordano Limited	Hong Kong	**100**	100	Ordinary HK$5,000,000	Retailing of apparel and accessories in Hong Kong
Giordano Originals (Singapore) Private Limited	Republic of Singapore	**100**	100	Ordinary S$1,900,002	Retailing of apparel and accessories in Singapore

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33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation	Effective percentage of equity holding		Issued and fully paid share capital or capital contribution	Principal activities and place of operation
		1994	1993		
East Jean Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Retailing of apparel and accessories in Taiwan
Aktiviti Padu (M) Sdn. Bhd.	Malaysia	**100**	100	Ordinary M$100,000	Retailing of apparel and accessories in Malaysia
Giordano (Macau) Limited	Macau	**100**	100	Quotas MOP50,000	Retailing of apparel and accessories in Macau
Cohin Knitting & Garment Manufacturers Limited	Hong Kong	**100**	100	Ordinary HK$2,000 Non-voting deferred HK$3,261,000	Manufacturing of fine knitwear in the PRC
Gloss Mind Casual Wear Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Manufacturing of woven products in the PRC
Shenzhen Zhixing Garment Manufacturers Company Limited *	The PRC	**100**	100	RMB10,152,152	Manufacturing of fine knitwear in the PRC
Shenzhen Lianghai Garments Company Limited *	The PRC	**100**	100	HK$9,800,000	Manufacturing of woven products in the PRC
Dongguan Chihing Garments Limited *	The PRC	**100**	100	HK$21,144,066	Factory under construction in the PRC
Tiger Enterprises Limited	Hong Kong	**51**	20	Ordinary HK$60,000,000	Investment holding in the PRC

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33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation	Effective percentage of equity holding		Issued and fully paid share capital or capital contribution	Principal activities and place of operation
		1994	1993		
Shenzhen Tiger Garment Limited *	The PRC	**51**	20	RMB15,100,000	Investment holding, manufacturing and retailing of apparel and accessories in Shenzhen, the PRC
Guangzhou Tiger Hua Qiao Enterprises Company Limited *	The PRC	**51**	20	RMB10,000,000	Retailing of apparel and accessories in Guangzhou, the PRC
Guangzhou Tiger Wai Lun Enterprises Company Limited *	The PRC	**41**	16	RMB2,500,000	Retailing of apparel and accessories in Guangzhou, the PRC
Giordano Fashions Limited	New Zealand	**80**	–	Ordinary NZ$1,000,000	Retailing of apparel and accessories in New Zealand
Giordano (Thai) Company Limited *	Thailand	**49**	–	Ordinary THB10,000,000	Retailing of apparel and accessories in Thailand
Walton International Limited	Cayman Islands	**100**	100	Ordinary US$102	Licensing of trademarks in Hong Kong
Giordano International Limited	Cayman Islands	**100**	100	Ordinary US$2	Buying agent in the Cayman Islands
Ariadne Overseas Corporation	British Virgin Islands	**100**	100	Ordinary US$1	Licensing of trademarks in Taiwan

* *subsidiaries held indirectly*

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